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IDAHO PUBLIC
UTILITIES COMMISSION

August 15, 2014

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

AVU-E-14-09

Dear Ms. Jewell:

Please find enclosed for filing an original and seven copies of the Joint Petition of Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC") for approval of the as available power purchase agreement ("PPA") between Avista and KEC for the term of August 15, 2014 through August 24, 2014. The PPA is attached to the Joint Petition. Please let me know if you have any questions regarding this filing.

Sincerely,

Gregory M. Adams
Attorney for Kootenai Electric Cooperative, Inc.

enclosure

For Avista Corporation

Michael G. Andrea (ISB No. 8308)
Senior Counsel
Avista Corporation
1411 East Mission Ave., MSC-23
Spokane, WA 99202
Phone: (509) 495-2564
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IDAHO PUBLIC
UTILITIES COMMISSION

For Kootenai Electric Cooperative, Inc.

Gregory M. Adams (ISB No. 7454)
Richardson Adams, PLLC
515 N. 27th St.
Boise, ID 83702
Phone: (208) 938-2236
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| | |
|---------------------------------------|------------------------------|
| IN THE MATTER OF THE JOINT PETITION) | |
| OF AVISTA CORPORATION AND) | CASE NO. AVU-E- 14-09 |
| KOOTENAI ELECTRIC COOPERATIVE,) | |
| INC. FOR APPROVAL OF POWER) | JOINT PETITION OF AVISTA |
| PURCHASE AND SALE AGREEMENT) | CORPORATION AND KOOTENAI |
|) | ELECTRIC COOPERATIVE, INC. |
|) | |

Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC")
(collectively, the "Parties") hereby jointly petition the Idaho Public Utilities Commission
("Commission") for an order approving the Power Purchase Agreement between KEC
and Avista ("Agreement") with a requested effective date of August 15, 2014. The
Agreement is attached hereto as Attachment A.

1. Names and Addresses of Petitioners

Avista Corporation
1411 East Mission Avenue
Spokane, WA 99202

Kootenai Electric Cooperative, Inc.
2451 W. Dakota Avenue
Hayden, Idaho 83835-0278

2. **Nature of Businesses**

Avista is a corporation created and organized under the laws of the State of Washington with its principal office in Spokane, Washington. Avista is an investor-owned utility engaged in, among other things, the business of generating, transmitting, and distributing electric power to wholesale and retail customers in Idaho and Washington. Avista also provides natural gas service to customers in Idaho, Washington, and Oregon. As such, Avista's rates, charges, services and practices are regulated, in part, by this Commission.

KEC is electric cooperative with its headquarters in Hayden, Idaho, that will own and operate a landfill gas electric power generating facility located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho ("Facility"). The Facility is capable of generating up to approximately 3.2 megawatts of energy. The Facility is a Qualifying Facility pursuant to the Public Utility Regulatory Policies of Act of 1978 ("PURPA").

3. **Names of Representatives**

All communications, pleadings, and orders with respect to this proceeding should be directed to:

For Avista Corporation:

Steve Silkworth
Manager, Wholesale Marketing and
Contracts
Avista Corporation
1411 E. Mission Ave., MSC-7
Spokane, WA 99202
Phone: 509-495-8093
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Michael G. Andrea
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1411 E. Mission Ave., MSC-23
Spokane, WA 99202
Phone: 509-495-2564
Fax: (509) 777-5468
E-mail: michael.andrea@avistacorp.com

///

For Kootenai Electric Cooperative, Inc.:

Doug Elliott
General Manager
2451 W. Dakota Avenue
Hayden, Id 83835-0278
Phone: 208-292-3227
Fax: (208) 209-0427
delliott@kec.com

Greg Adams
Richardson Adams, PLLC
515 N. 27th St.
Boise, ID 83702
Phone: (208) 938-2236
Fax: (208) 938-7904
E-mail: greg@richardsonadams.com

4. Description of Agreement

KEC currently sells the output of the Facility to Idaho Power Company ("IPC") pursuant to IPC's Oregon PURPA Standard Energy Sales Agreement ("Oregon PPA"). KEC has claimed a force majeure event due to its inability to deliver the output of the facility to IPC due to a transmission line outage caused by a wildfire. IPC has accepted KEC's claim of force majeure and has consented to KEC selling the output to Avista for the period August 15 through August 24, 2014 (see Exhibit H to the attached Agreement).

The Agreement is a power purchase agreement under which KEC will generate and deliver the Net Output of its Facility to Avista's electric system on an as-available basis from August 15, 2014 through August 24, 2014 ("Term"). For the Term of the Agreement, Avista will purchase the Net Output of the Facility that is delivered to the Point of Delivery. Avista will purchase such Net Output (up to a maximum of 10 aMW) pursuant to Schedule 62 of its Idaho tariff at the lesser of (i) 85 percent (85%) of the Powerdex hourly Mid-Columbia index, or (ii) the applicable rate based upon the On-Peak or Off-Peak Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Average Megawatts - Non-Levelized in effect on the Effective Date ("Avoided Cost Rates").

///

5. Joint Request for Approval

Avista and KEC jointly request that the Commission issue an order (i) accepting the Agreement, without change or condition, with an effective date of August 15, 2014, and (ii) declaring that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

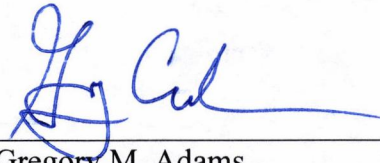
Respectfully submitted this 15th day of August, 2014.

AVISTA CORPORATION

 by GMA

Michael G. Andrea
Senior Counsel

Kootenai Electric Cooperative, Inc.



Gregory M. Adams
Attorney for Kootenai Electric Cooperative,
Inc.

POWER PURCHASE AGREEMENT
BETWEEN
KOOTENAI ELECTRIC COOPERATIVE, INC.
AND
AVISTA CORPORATION

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POWER PURCHASE AGREEMENT

This Agreement is made by and between Avista Corporation, a Washington corporation ("Avista"), and Kootenai Electric Cooperative, Inc. an Idaho corporation ("Seller"). Avista and Seller are sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, Seller owns, operates and maintains a 3.2 MW nameplate capacity ("Expected Capacity") electric power generating facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho, as more fully described in Exhibit C; and

WHEREAS, Seller will operate the Facility as a Qualifying Facility, as defined by the Public Utility Regulatory Policies Act of 1978 ("PURPA"); and

WHEREAS, Seller sells the output of the Facility to Idaho Power Company pursuant to a power purchase agreement ("IPC PPA") filed with the Oregon Public Utilities Commission, but due to extenuating circumstances is currently unable to deliver the output of the facility to Idaho Power Company under that IPC PPA; and

WHEREAS, Seller and IPC have agreed to suspend the IPC PPA, and IPC has consented to Seller selling the Net Output of the Facility to Avista, through August 24, 2014, and Avista has agreed to purchase the Net Output generated by the Facility on a non-firm as available basis during through August 24, 2014 (such suspension and consent is memorialized in Exhibit H); and

WHEREAS, Seller will deliver and sell, and Avista will purchase, Net Output generated by the Facility on an non-firm as available basis subject to the terms of this Agreement; and

WHEREAS, Seller and Avista are parties to the Interconnection and Operating Agreement dated November 15, 2011 (Avista Contract No. AV-TR11-0205-1) ("Interconnection and Operating Agreement"); and

WHEREAS, Seller and Avista are parties to the Facilities for Integration and Operation of Fighting Creek Facility Letter Agreement dated December 5, 2011 (incorporated as Exhibit G) which sets forth the scope of work and responsibilities of the Parties regarding the construction and installation of the Parties' respective facilities for the integration and operation of Seller's Facility.

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the Parties agree as follows.

1. DEFINITIONS

Except as otherwise defined in this Agreement, whenever used in this Agreement and exhibits hereto, the following terms shall have the following meanings:

1.1 **"Agreement"** means this Power Purchase Agreement, including all exhibits, and any written amendments.

1.2 **"Alternate Point of Delivery"** shall have the meaning provided in Section 11.2 of this Agreement and is further clarified in Exhibit C of this Agreement.

1.3 **"Ancillary Services"** means those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the electrical systems in accordance with Prudent Utility Practices and any existing or future WECC requirements.

1.4 **"Avoided Cost Rates"** shall have the meaning provided in Section 7.3 of this Agreement.

1.5 **"aMW"** means average megawatt(s). An average megawatt is calculated by dividing the total generation in MWh over a given period of time (e.g., a calendar month) by the number of hours in that period of time.

1.6 **"Balancing Authority Area"** means an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Balancing Authority Areas and contributing to frequency regulation of the interconnection. A Balancing Authority Area must be certified by the applicable reliability council (such as WECC or other reliability council).

1.7 **"Base Energy"** means all monthly Net Output except Net Output that is Excess Energy.

1.8 **"Business Day"** means every day other than a Saturday or Sunday or a national holiday. National holidays shall be those holidays observed NERC.

1.9 **"Commission"** means the Idaho Public Utilities Commission, or its successor.

1.10 **"Effective Date"** shall have the meaning provided in Section 4.1 of this Agreement.

1.11 **"Excess Energy"** shall have the meaning provided in Section 7.4 of this Agreement.

1.12 **"Expected Capacity"** shall have the meaning provided in the recitals of this Agreement.

1.13 **"Facility"** means the electric energy generating facilities, including all equipment and structures necessary to generate and supply electric energy, more particularly described at Exhibit C.

1.14 **"Facility Output"** means the capability and electric energy generated by the Facility expressed in kilowatt-hours.

1.15 **"Facility Service Power"** means the electric energy generated and used by the Facility during its operation to operate equipment that is auxiliary to primary generation equipment including, but not limited to, pumping, generator excitation, cooling or other operations related to the production of electric energy by the Facility.

1.16 **"Force Majeure"** shall have the meaning provided in Section 12 of this Agreement.

1.17 **"FERC"** means the Federal Energy Regulatory Commission, or its successor.

1.18 **"Initial Capacity Determination"** shall have the meaning provided in Section 3.4 of this Agreement.

1.19 **"Interconnection and Operating Agreement"** means, as applicable, the agreement between Seller and Avista or Seller and a Transmitting Entity that is providing interconnection service which governs how the Net Output is delivered to Avista's or the Transmitting Entity's electrical system at the point of interconnection during the Term of this Agreement and that is attached hereto as Exhibit F.

1.20 **"Losses"** means the loss of electrical energy expressed in kilowatt hours (kWh), including the Meter Location Adjustment Factor ("MLAF") as described in section 7.2, occurring as a result of the transformation and transmission of energy between the point of interconnection on Seller's system and the Point of Delivery.

1.21 **"MW"** means megawatt. One thousand kilowatts equals one megawatt.

1.22 **"MWh"** means megawatt-hour. One thousand kilowatt-hours equals one megawatt-hour.

1.23 **"Market Energy Rate"** means the Market Rate as defined in Schedule 62.

1.24 **"Nameplate Capacity Rating"** means the maximum generating capacity of the Facility, as determined by the manufacturer, and expressed in kilowatts (kW).

1.25 **"NERC"** means the North American Electric Reliability Corporation or its successor.

1.26 **"Net Output"** means the capability and electric energy generated by the Facility, less Facility Service Power and Losses, that is delivered to the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, expressed in kilowatt-hours. Net Output is further described in Section 7.2.

1.27 **"Off-Peak"** means all hours other than On-Peak hours.

1.28 **"On-Peak"** means the hours ending 0700 through 2200 Pacific Prevailing time, Monday through Sunday, including national holidays.

1.29 **"Point of Delivery"** means the location, as specified in Exhibit C of this Agreement, where the electric energy produced by the Facility is delivered to Avista's electrical system.

1.30 **"Prudent Utility Practices"** means the practices, methods, and acts commonly and ordinarily used in electrical engineering and operations by a significant portion of the electric power generation and transmission industry, in the exercise of reasonable judgment in the light of the facts known or that should have been known at the time a decision was made, that would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy, and expedition.

1.31 **"Qualifying Facility"** or **"QF"** means a generating facility which meets the requirements for "QF" status under PURPA and part 292 of FERC's Regulations, 18 C.F.R. Part 292, and which has obtained certification of its QF status.

1.32 **"Schedule 62"** means Schedule 62 of Avista's Idaho tariff, as may be amended from time to time.

1.33 **"Term"** shall have the meaning provided in Section 4.1 of this Agreement.

1.34 **"Transmitting Entity"** means any entity or entities including Seller that provide transmission and/or interconnection service to deliver electric energy from the Facility to Avista's electrical system at the Point of Delivery or at the Alternate Point of Delivery if applicable under Section 11.2. For purposes of this Agreement, Seller is the Transmitting Entity.

1.35 **"WECC"** means the Western Electricity Coordinating Council or its successor.

2. **WARRANTIES**

2.1 **No Warranty by Avista.** Avista makes no warranties, expressed or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including, but not limited to, safety, durability, reliability, strength, capacity, adequacy or economic feasibility, and any review, acceptance or failure to review Seller's design, specifications, equipment or Facility shall not be an endorsement or a confirmation by Avista. Avista assumes no responsibility or obligation with regard to any NERC and/or WECC reliability standard associated with the Facility or the delivery of electric energy from the Facility to the Point of Delivery or at the Alternate Point of Delivery if applicable under Section 11.2.

2.2 **Seller's Warranty.** Seller warrants and represents that: (a) Seller has investigated and determined that it is capable of performing and will perform the obligations hereunder and has not relied upon the advice, experience or expertise of Avista in connection with the transactions contemplated by this Agreement; (b) all professionals and experts

including, but not limited to, engineers, attorneys or accountants, that Seller may have consulted or relied on in undertaking the transactions contemplated by this Agreement have been solely those of Seller; (c) Seller will comply with all applicable laws and regulations and shall obtain and comply with applicable licenses, permits and approvals in the design, construction, operation and maintenance of the Facility; and (d) the Facility is, and during the Term of this Agreement will remain, a Qualifying Facility as that term is used in 18 C.F.R Part 292. Seller's failure to maintain Qualifying Facility status will be a material breach of this Agreement. Avista reserves the right to review the Seller's Qualifying Facility status and associated support and compliance documents at anytime during the Term of this Agreement.

Seller further warrants that Seller's licenses, permits and approvals as set forth in Section 3.1 above are legally and validly issued, are held in the name of the Seller, and Seller is in substantial compliance with said permits.

Seller further warrants and represents that Seller and Idaho Power Company have agreed to suspend the IPC PPA and that Idaho Power Company has consented to Seller selling the Net Output to Avista as set forth in this Agreement.

3. CONDITIONS PRIOR TO DELIVERY OF NET OUTPUT

3.1 Licenses, Permits and Approvals. Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista written proof that all licenses, permits or approvals necessary for Seller's operations have been obtained from applicable federal, state, tribal or local authorities, including, but not limited to, evidence of compliance with Subpart B, 18 C.F.R. § 292.207, tribal, state and local business licenses, environmental permits, easements, leases and all required approvals by the Commission. Avista and Seller shall cooperate in petitioning the Commission for any required approvals.

3.2 Independent Engineering Certifications. Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista applicable Independent Engineering Certifications for (a) Construction Adequacy for a Qualifying Facility, and (b) Operations and Maintenance Policy for a Qualifying Facility as described in Commission Order No. 21690. Each Independent Engineering Certification shall be signed by a licensed professional engineer in good standing submitted in a form acceptable to Avista and will acknowledge that the licensed professional engineer rendering the opinion understands that Avista is relying on said opinion. Avista's acceptance of such forms shall not be unreasonably withheld.

3.3 Initial Capacity Determination. Seller shall design and operate the Facility in a manner such that under normal design conditions the Net Output does not exceed 10 aMW in any calendar month. Prior to delivery of any Net Output, Seller shall submit to Avista the maximum hourly generation capability of the Facility ("Initial Capacity Determination"). Such Initial Capacity Determination shall be determined by use of the Nameplate Capacity Rating and shall be documented and submitted to Avista by Seller. Such documentation shall include the information listed in Exhibit E. Upon receipt of Seller's Initial Capacity Determination, Avista

will review such determination within a reasonable time and, if acceptable to Avista, Avista shall issue to Seller its written approval of the Initial Capacity Determination. If the Initial Capacity Determination submitted by Seller is not acceptable to Avista, Avista will promptly notify Seller that Avista will not accept its Initial Capacity Determination. In such event, Avista shall engage, at Seller's sole expense, an independent qualified consultant to determine the Initial Capacity Determination. During the Term of this Agreement, Seller shall not cause the capacity of the Facility to be greater than the Initial Capacity Determination by any means, including by addition, upgrade, or replacement of any turbines.

3.4 Ancillary Services. In the event that the Facility is located outside of Avista's Balancing Authority Area, Seller shall be responsible at its sole expense for obtaining any and all necessary Ancillary Services. Seller shall demonstrate its compliance with this Section prior to the delivery of any Net Output to Avista.

3.5 Insurance. Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista evidence of compliance with Section 8, Insurance.

3.6 Network Resource Designation. At Avista's request, Seller shall provide to Avista all data required by Avista to enable the Facility to be designated by Avista as a network resource.

3.7 Written Acceptance. Prior to the delivery of any Net Output to Avista, Seller shall request and obtain from Avista written confirmation that all conditions to acceptance of electric energy have been fulfilled. Avista shall use reasonable commercial efforts to promptly provide Seller written confirmation that all conditions to acceptance of electric energy have been fulfilled or provide notice that such conditions have not been fulfilled.

4. TERM OF AGREEMENT AND COMMERCIAL OPERATION DATE

4.1 This Agreement shall be effective on the date last signed below or such other date set by Commission order (the "Effective Date") and shall continue until August 24, 2014 ("Term").

4.2 The Parties agree that this Agreement will be construed in accordance with Section 210 of PURPA and other applicable laws and regulations. This Agreement shall become finally effective upon the Commission's approval of all terms and provisions herein without change or condition and declaration that all payments to be made to Seller hereunder shall be allowed as prudently incurred expenses for ratemaking purposes.

5. (Reserved)

6. SCHEDULING

6.1 Seller will make reasonable efforts to contact Avista Real-Time Scheduler to update Avista Real-Time Scheduler regarding any schedule estimates for generation, outage timeframes/duration, and return to service estimates.

6.2 Email contact information with regard to scheduling and telephone contact information with regard to generation changes, interruptions or outages are specified in Exhibit A, Communication and Reporting.

7. PURCHASE PRICES AND PAYMENT

7.1 Except when either Party's performance is excused as provided herein, for the Term of this Agreement, Seller shall deliver all Net Output from the Facility to Avista at the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2. For all Net Output delivered to Avista at the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, Avista shall pay the applicable rate specified in Sections 7.3 and 7.4 of this Agreement.

7.2 **Net Output.** Net Output shall be determined by measuring the Facility Output and reducing that amount by Facility Service Power and the Meter Location Adjustment Factor ("MLAF") which is the product of all applicable loss factors for the distribution system, transformation and transmission system between the metering point and the Point of Delivery. Net Output shall be calculated in accordance with the following formula:

$$\begin{aligned}\text{Net Output} &= (\text{Facility Output}) - (\text{Facility Service Power}) \times \text{MLAF} \\ \text{MLAF} &= 1 - [(\text{Distribution Line Loss Factor of } 0.0203) \\ &\quad + (\text{Dower Transformer No Load Loss of } 0.0030) \\ &\quad + (\text{Dower Transformer Load Loss of } 0.0010) \\ &\quad + (\text{Transmission Line Loss of } 0.0005)] \\ \text{MLAF} &= 1 - 0.0248 \\ \text{MLAF} &= 0.9752\end{aligned}$$

7.3 **Base Energy.** For all Base Energy delivered to Avista at the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, Avista shall pay Seller the lesser of (i) the current month's Market Energy Rate or (ii) the applicable rate based upon the On-Peak or Off-Peak Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Average Megawatts - Non-Levelized in effect on the Effective Date ("Avoided Cost Rates") as specified in Exhibit D.

7.4 **Excess Energy.** Excess Energy is Net Output, expressed in MWh, which Seller delivers to Avista at the Point of Delivery and/or at the Alternate Point of Delivery if applicable under Section 11.2 that exceeds 10 aMW in a calendar Month. Avista, at its sole discretion, may accept Excess Energy, but Avista will not pay for any Excess Energy. Where Avista does not elect to accept Excess Energy, and Seller delivers such energy after notification by Avista in accordance with Exhibit A, Seller shall pay Avista liquidated damages equal to \$100 per MWh of Excess Energy delivered to Avista. The Parties agree that the damages that Avista would

incur due to Seller's delivery of Excess Energy when Avista does not elect to accept Excess Energy would be difficult or impossible to predict with certainty and the liquidated damages contemplated by this provision are a fair and reasonable calculation of such damages and are not a penalty.

7.5 Payments to Seller. Avista shall prepare and submit to Seller monthly statements during the Term of the Agreement based upon Net Output delivered to Avista during the previous month. Payments owed by Avista shall be paid no later than the 15th day of the month following the end of the monthly billing period or five days after the receipt of a monthly statement, whichever is later. If the due date falls on a non-Business Day, then the payment shall be due on the next Business Day.

7.6 Payments to Avista and Right of Set Off. If Seller is obligated to make any payment or refund to Avista, Seller agrees that Avista may set off such payment or refund amount against any current or future payments due Seller under this Agreement. If Avista does not elect to set off, or if no current or future payment is owed by Avista, Avista shall submit an invoice to Seller for such payments. Seller shall pay Avista no later than the 15th day of the month following the end of the monthly billing period or five days after the receipt of a monthly statement, whichever is later. If the due date falls on a non-Business Day, then the payment shall be due on the next Business Day.

7.7 Interest. In addition to the remedies set forth in Section 16 of this Agreement, any amounts owing after the due date specified in Sections 7.5 and 7.6 will be subject to interest in the amount of one and one half percent (1.5%) per month, not to exceed the maximum rate allowed by the law, multiplied by the unpaid balance.

7.8 Wire Transfer. All payments shall be made by ACH or wire transfer in accordance with further agreement of the Parties.

8. INSURANCE

8.1 Insurance. Prior to operating the Facility, Seller, at its own cost, shall obtain and maintain the following insurance in force over the term of this Agreement and shall provide certificates of all insurance policies. All insurance policies required to fulfill the requirements of this Section 8 shall include language requiring that any notice of cancellation or notice of change in policy terms be sent to Avista by the insurance carrier(s) at least sixty days prior to any change or termination of the policies.

8.1.1 General Liability. Seller shall carry commercial general liability insurance for bodily injury and property damage with a minimum limit equal to \$2,000,000 for each occurrence. The deductible shall not exceed the Seller's financial ability to cover claims and shall not be greater than prevailing practices for similar operations in the State of Idaho.

8.1.2 Property. Seller shall carry all-risk property insurance for repair or replacement of the Facility. The limit of property insurance shall be sufficient to restore

operations in the event of reasonably foreseeable losses from natural, operational, mechanical and human-caused perils. The deductible shall not exceed the Seller's financial ability to fund the cost of losses and shall not be greater than prevailing practices for similar operations in the State of Idaho.

8.1.3 Qualifying Insurance. The insurance coverage required by this Section 8 shall be obtained from an insurance company reasonably acceptable to Avista and shall include an endorsement naming Avista as an additional insured and loss payee as applicable.

8.1.4 Notice of Loss or Lapse of Insurance by Seller. If the insurance coverage required by this Section 8 is lost or lapses for any reason, Seller will immediately notify Avista in writing of such loss or lapse. Such notice shall advise Avista of (i) the reason for such loss or lapse and (ii) the steps Seller is taking to replace or reinstate coverage. Notice provided by the insurer required by Section 8.1 shall not satisfy the notice requirement of this Section and Seller's failure to provide the notice required by this Section and/or to promptly replace or reinstate coverage will constitute a material breach of this Agreement.

8.2 Ongoing Security for Performance. For the Term of this Agreement, Seller will provide Avista with the following:

8.2.1 Insurance. Upon Avista's request, Seller shall provide Avista evidence of compliance with the provisions of Section 8.1. If Seller fails to comply, such failure will be a material breach and may only be cured by Seller promptly supplying evidence that the required insurance coverage has been replaced or reinstated.

8.3 Licenses and Permits. During the Term of this Agreement, Seller shall maintain compliance with all permits and licenses described in Section 3.1 of this Agreement. In addition, Seller will obtain, and supply Avista with copies of, any new or additional permits or licenses that may be required for Seller's operations. If at any time Seller fails to maintain compliance with the permits and licenses described in Section 3.1 or this Section, or to provide documentation required by this Section, such failure will be a material breach of this Agreement that may only be cured by Seller submitting to Avista evidence of compliance.

9. CURTAILMENT, INTERRUPTION OR REDUCTION OF DELIVERY

Avista may require Seller to curtail, interrupt or reduce delivery of Net Output if, in accordance with Section 10.2, Avista determines that curtailment, interruption or reduction is necessary because of a Force Majeure event or to protect persons or property from injury or damage, or because of emergencies, necessary system maintenance, system modification or special operating circumstances. Avista shall use commercially reasonable efforts to keep any period of curtailment, interruption, or reduction to a minimum. In order not to interfere unreasonably with Seller operations, Avista shall, to the extent practical, give Seller reasonable prior notice of any curtailment, interruption, or reduction, the reason for its occurrence and its probable duration. Seller understands and agrees that Avista may not be able to provide notice to

Seller prior to interruption, curtailment, or reduction of electrical energy deliveries to Avista in emergency circumstances, real-time operations of the electric system, and/or unplanned events.

10. OPERATION

10.1 Communications and Reporting. Avista and the Seller shall maintain appropriate operating communications through the Communicating and Reporting Guidelines specified in Exhibit A.

10.2 Excuse From Acceptance of Delivery of Energy.

10.2.1 Avista may curtail, interrupt, reduce or suspend delivery, receipt or acceptance of Net Output if Avista, in its sole discretion, reasonably determines that such curtailment, interruption, reduction or suspension is necessary, consistent with Prudent Utility Practice, and that the failure to do so may:

- (a) endanger any person or property, or Avista's electric system, or any electric system with which Avista's system is interconnected;
- (b) cause, or contribute to, an imminent significant disruption of electric service to Avista's or another utility's customers;
- (c) interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, Avista's electric system or other property of Avista; or
- (d) cause, contribute to, or necessitate operation of any of Avista's hydro electric projects in violation of any license or other regulatory requirements.

10.2.2 Avista shall promptly notify Seller of the reasons for any such curtailment, interruption, reduction or suspension provided for in Section 10.2. Avista shall use reasonable efforts to limit the duration of any such curtailment, interruption, reduction or suspension.

10.3 Seller's Risk. Seller shall design, construct, own, operate and maintain the Facility at its own risk and expense in compliance with all applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of any governmental authority.

10.4 Avista's Right to Inspect. Seller shall permit Avista to inspect and audit the Facility, any related production, delivery and scheduling documentation or the operation, use or maintenance of the Facility at any reasonable time and upon reasonable notice.

10.5 Seller Obligations in Accordance with Prudent Utility Practices. Seller shall own, operate and maintain the Facility and any Seller-owned facilities in accordance with Prudent Utility Practices.

11.0 INTERCONNECTION AND TRANSMISSION

11.1 Seller shall make all necessary arrangements and pay all costs to interconnect its Facility with the electrical system of the Transmitting Entity. Attached as Exhibit F is the Interconnection and Operating Agreement.

11.2 In the event that Seller or Avista is required to curtail, interrupt or reduce delivery of Net Output to the Point of Delivery, Seller may use reasonable commercial efforts to arrange, at Seller's sole expense, for delivery of Net Output at a secondary point of delivery ("Alternate Point of Delivery"). Avista will use reasonable commercial efforts to accept Net Output at such Alternate Point of Delivery; *provided, however*, that the Parties have enabled and established the use of such Alternate Point of Delivery pursuant to Section 11.3.

11.3 Seller shall be responsible for any and all costs and expenses related to the transmission of Net Output to the Point of Delivery or any Alternate Point of Delivery under this Agreement, including but not limited to Ancillary Services and any costs or expenses incurred by Avista resulting from enabling and establishing Avista's ability to accept Net Output at the Point of Delivery and any Alternate Point of Delivery. Such costs and expenses shall include those for metering and other parallel operation facilities specified in Exhibit G.

12. FORCE MAJEURE

12.1 Neither Party shall be liable to the other Party, or be considered to be in breach of or default under this Agreement, for delay in performance due to a cause or condition beyond such Party's reasonable control which despite the exercise of reasonable due diligence, such Party is unable to prevent or overcome ("Force Majeure"), including but not limited to:

(a) fire, flood, earthquake, volcanic activity; court order and act of civil, military or governmental authority; strike, lockout and other labor dispute; riot, insurrection, sabotage or war; unanticipated electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; or

(b) an action taken by such Party which is, in the sole judgment of such Party, necessary or prudent to protect the operation, performance, integrity, reliability or stability of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such actions occur automatically or manually.

12.2 In the event of a Force Majeure event, the time for performance shall be extended by a period of time reasonably necessary to overcome such delay. Avista shall not be required to pay for Net Output which, as a result of any Force Majeure event, is not delivered.

12.3 Nothing contained in this Section shall require any Party to settle any strike, lockout or other labor dispute.

12.4 In the event of a Force Majeure event, the delayed Party shall provide the other Party notice by telephone or email as soon as reasonably practicable and written notice within fourteen days after the occurrence of the Force Majeure event. Such notice shall include the particulars of the occurrence. The suspension of performance shall be of no greater scope and no longer duration than is required by the Force Majeure and the delayed Party shall use its best efforts to remedy its inability to perform.

12.5 Force Majeure shall include any unforeseen electrical disturbance that prevents any electric energy deliveries from occurring at the Point of Delivery and at any Alternate Point of Delivery.

13. INDEMNITY

13.1 Each Party shall defend, indemnify and hold harmless, the other Party, its directors, officers, employees, and agents (as the "Indemnitee") from and against all claims, demands, causes of action, judgments, liabilities and associated costs and expenses (including reasonable attorney's fees) to the extent arising from or attributable to the performance or non-performance of that Party's (as the "Indemnitor") obligations under this Agreement, including but not limited to, damage to tangible property and bodily injury or death suffered by any person (including employees of Seller or Avista or the public), provided that:

(a) No Indemnitee shall be indemnified for any loss, liability, injury, or damage resulting from its sole negligence, gross negligence, fraud or willful misconduct; and

(b) The Indemnitor shall be entitled, at its option, to assume and control the defense and any settlement of such suit.

Each indemnity set forth in this Section is a continuing obligation, separate and independent of the other obligations of each Party and shall survive the expiration or termination of this Agreement.

13.2 SELLER AND AVISTA SPECIFICALLY WARRANT THAT THE TERMS AND CONDITIONS OF THE FOREGOING INDEMNITY PROVISIONS ARE THE SUBJECT OF MUTUAL NEGOTIATION BY THE PARTIES, AND ARE SPECIFICALLY AND EXPRESSLY AGREED TO IN CONSIDERATION OF THE MUTUAL BENEFITS DERIVED UNDER THE TERMS OF THE AGREEMENT.

13.3 EXCEPT AS EXPRESSLY PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE UNDER ANY PROVISION OF THIS AGREEMENT FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS OF PROFIT, SAVINGS OR REVENUE, LOSS OF THE USE OF EQUIPMENT, COST OF CAPITAL, OR COST OF TEMPORARY EQUIPMENT OR SERVICES, WHETHER BASED IN WHOLE OR IN

PART IN CONTRACT, IN TORT, INCLUDING NEGLIGENCE, STRICT LIABILITY, OR ANY OTHER THEORY OF LIABILITY.

14. ASSIGNMENT

14.1 Seller shall not assign its rights or delegate its duties under this Agreement without the prior written consent of Avista, which consent shall not be unreasonably withheld. Subject to the foregoing restrictions on assignments, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors, heirs and assigns.

14.2 Seller shall have the right, subject to the obligations in Section 8, without Avista's consent, but with a thirty days prior written notice to Avista, to make collateral assignments of its rights under this Agreement to satisfy the requirements of any development, construction, or other reasonable long term financing. A collateral assignment shall not constitute a delegation of Seller's obligations under this Agreement, and this Agreement shall not bind the collateral assignee. Any collateral assignee succeeding to any portion of the ownership interest of Seller shall be considered Seller's successor in interest and shall thereafter be bound by this Agreement.

15. NO UNSPECIFIED THIRD PARTY BENEFICIARIES

There are no third party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, and their respective successors, heirs and assigns permitted under Section 14.

16. DEFAULT AND TERMINATION

16.1 In addition to any other breach or failure to perform under this Agreement that is not otherwise excused under this Agreement, each of the following events shall constitute a Default:

- (a) Seller abandons the Facility;
- (b) The Facility ceases to be a Qualifying Facility;
- (c) A Party becomes insolvent (e.g., is unable to meet its obligations as they become due or its liabilities exceed its assets);
- (d) Seller makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws;
- (e) Seller has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed or stayed within sixty days after it is filed;

(f) Seller is in default under any Agreement related to this Agreement;

(g) Termination, cancellation or expiration of any agreement required for Seller to deliver Net Output to Avista under this Agreement, including but not limited to the Interconnection and Operating Agreement;

16.2 Notice and Opportunity to Cure. In the event of a Default, the non-Defaulting Party shall give written notice to the Defaulting Party of a Default in accordance with Section 29. Except where the applicable section provides a cure period for the applicable default, if the Defaulting Party has not cured the breach within thirty days after receipt of such written notice, the non-Defaulting Party may, at its option, terminate this Agreement and/or pursue any remedy available to it in law or equity; *provided that*, if a Default occurs under Sections 16.1(a), 16.1(d) and/or 16.1(e), Avista may immediately terminate this Agreement without opportunity to cure, and such termination shall become effective upon written notice of Default.

16.3 Additional Rights and Remedies. Any right or remedy afforded to either Party under this Agreement on account of a Default by the other Party is in addition to, and not in lieu of, all other rights or remedies available to such Party under any other provisions of this Agreement, by law or otherwise on account of the Default.

17. DISPUTE RESOLUTION

Each Party shall strive to resolve any and all differences during the term of the Agreement through meetings and discussions. If a dispute cannot be resolved within a reasonable time, not to exceed thirty days, each Party shall escalate the unresolved dispute to a senior officer designated by each Party. If the senior officers are not able to resolve the dispute within ten Business Days of escalation then either Party may either agree to mediate or arbitrate the dispute or request a hearing before the Commission.

18. RELEASE BY SELLER

Seller releases Avista from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

18.1 Electric disturbance or fluctuation that migrates, directly or indirectly, from Avista's electric system to the Facility;

18.2 Interruption, suspension or curtailment of electric service to the Facility or any other premises owned, possessed, controlled or served by Seller, which interruption, suspension or curtailment is caused or contributed to by the Facility or the interconnection of the Facility;

18.3 Disconnection, interruption, suspension or curtailment by Avista pursuant to terms of this Agreement or the Interconnection and Operating Agreement.

19. GOVERNMENTAL AUTHORITY

This Agreement is subject to the rules, regulations, orders and other requirements, of all governmental authorities having jurisdiction over the Facility, this Agreement, the Parties or either of them, including Section 210 of PURPA. All laws, ordinances, rules, regulations, orders and other requirements of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

20. SEVERAL OBLIGATIONS

The duties, obligations and liabilities of the Parties under this Agreement are intended to be several not joint or collective. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties. Each Party shall be individually and severally liable for its own obligations under this Agreement. Further, neither Party shall have any rights, power or authority to enter into any agreement or undertaking for or on behalf of, to act as to be an agent or representative of, or to otherwise bind the other Party.

21. IMPLEMENTATION

Each Party shall promptly take such action (including, but not limited to, the execution, acknowledgement and delivery of documents) as may be reasonably requested by the other Party for the implementation or continuing performance of this Agreement.

22. NON-WAIVER

The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment of such Party's right to assert or rely upon any such provision or right in that or any subsequent instance; rather, the same shall be and remain in full force and effect.

23. AMENDMENT

No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties and subsequently approved by the Commission.

24. CHOICE OF LAWS AND VENUE

This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho without reference to its choice of law provisions. Venue for any litigation arising out of or related to this Agreement shall lie in the District Court of the Fourth Judicial District of Idaho in and for the County of Ada.

25. HEADINGS

The Section headings in this Agreement are for convenience only and shall not be considered part of or used in the interpretation of this Agreement.

26. SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

27. COUNTERPARTS

This Agreement may be executed in two or more counterparts, each of which shall be deemed as an original, and together shall constitute one and the same document.

28. TAXES

Each Party shall pay before delinquency all taxes and other governmental charges for which such Party is responsible and which, if failed to be paid when due, could result in a lien upon the Facility.

29. NOTICES

Unless otherwise specified, all written notices or other communications required by or provided under this Agreement shall be mailed or delivered to the following addresses, and shall be considered delivered when deposited in the US Mail, postage prepaid, by certified or registered mail or delivered in person:

to Avista: Director, Power Supply
 Avista Corporation
 P.O. Box 3727
 Spokane, WA 99220

to Seller: General Manager
 Kootenai Electric Cooperative, Inc.
 2451 W. Dakota Avenue
 Hayden, Idaho 83835-0278

Either Party may change its designated representative to receive notice and/or address specified above by giving the other Party written notice of such change.

30. SURVIVAL

Rights and obligations which, by their nature, should survive termination or expiration of this Agreement, will remain in effect until satisfied, including without limitation, all outstanding

financial obligations, and the provisions of Section 13 (Indemnity) and Section 17 (Dispute Resolution).

31. ENTIRE AGREEMENT

This Agreement, including the following exhibits which are attached and incorporated by reference herein, constitutes the entire agreement of the Parties and supersedes all prior and contemporaneous oral or written agreements between the Parties with respect to the subject matter hereof.

- | | |
|-----------|--|
| Exhibit A | Communications and Reporting |
| Exhibit B | Independent Engineering Certifications for Construction Adequacy for a Qualifying Facility and Operations and Maintenance Policy |
| Exhibit C | Project Description and Point of Delivery |
| Exhibit D | Avoided Cost Rates |
| Exhibit E | Initial Capacity Determination Documentation |
| Exhibit F | Interconnection and Operating Agreement |
| Exhibit G | Facilities for Integration and Operation of Fighting Creek Facility |
| Exhibit H | Letter from Idaho Power Company |

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date set forth below.

**KOOTENAI ELECTRIC
COOPERATIVE, INC**

By: Douglas A. Elliott

Printed Name: Douglas A. Elliott

Title: General Manager / CEO

Date: August 15, 2014

AVISTA CORPORATION

By: Scott Kinney

Printed Name: Scott Kinney

Title: Director Power Supply

Date: August 15, 2014

Exhibit A
Communication and Reporting

(1) Email communications between Seller and Avista shall be submitted to:

Avista: robert.follini@avistacorp.com; or
robert.follini@avistacorp.com

Seller: dellioff@kec.com
Alternate: sdolan@kec.com

(2) All oral communications relating to electric energy scheduling, generation level changes, interruptions or outages between Seller and Avista will be communicated on a recorded line as follows:

(a) Pre-Schedule (5:30 am to 12:00 noon on Business Days):

Avista Pre-Scheduler: (509) 495-4911
Alternate Phone: (509) 495-4073

Seller: (208) 292-3276 (Shawn Dolan)
Alternate Phone: (208) 292-3227 (Doug Elliott)

(b) Real-Time Schedule (available 24 hours a day)

Avista Real-Time Scheduler: (509) 495-8534

Seller: (208) 292-3276 (Shawn Dolan)
Alternate Phone: (208) 292-3227 (Doug Elliott)

(3) Either Party may change its contact information upon written notice to the other Party.

APPENDIX C
ENGINEER'S CERTIFICATION

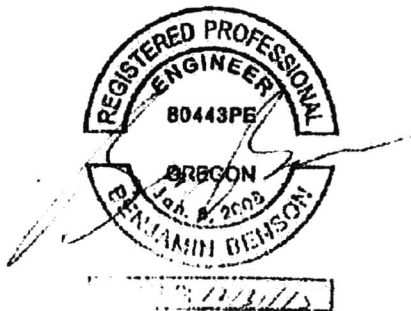
OF

DESIGN & CONSTRUCTION ADEQUACY

The undersigned Benny Benson, P.E., on behalf of himself and ENERGYneering Solutions, Inc., hereinafter collectively referred to as "Engineer", hereby states and certifies to Idaho Power as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement",
Kootenai Electric
between Idaho Power as Buyer, and Cooperative, Inc. as Seller, dated March 5, 2014.
3. That the cogeneration or small power production project, which is the subject of the Agreement and this Statement, is identified as IPCo Facility No 21865113 and is hereinafter referred to as the "Project".
4. That the Project, which is commonly known as the Fighting Creek Landfill Gas to Energy Station Project, is located in Section 1 Township 48N, Range 5, West County, Kootenai.
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for a Fifteen (15) year period.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project and has made the analysis of the plans and specifications independently.
8. That Engineer has reviewed the engineering design and construction of the Project, including the civil work, electrical work, generating equipment, prime mover conveyance system, Seller furnished Interconnection Facilities and other Project facilities and equipment.

9. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, is relying on Engineer's representations and opinions contained in this Statement.
10. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.



By *Benjamin Benson*

(P.E. Stamp)

Date 12/03/12/2014

APPENDIX C
ENGINEER'S CERTIFICATION
OF
OPERATIONS & MAINTENANCE POLICY

The undersigned Benry Benson, P.E., on behalf of himself and ENERGYneering Solutions, Inc., hereinafter collectively referred to as "Engineer," hereby states and certifies to the Seller as follows:

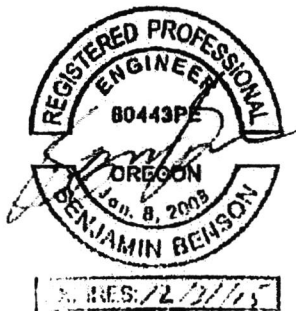
1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement," between Idaho Power as Buyer, and Kootenai Electric Cooperative, Inc. as Seller, dated March 5, 2014
3. That the cogeneration or small power production project which is the subject of the Agreement and this Statement is identified as IPCo Facility No. 21865113 and is hereinafter referred to as the "Project."
4. That the Project, which is commonly known as the Fighting Creek Landfill Gas to Energy Station, is located in Section 1, Township 48N, Range 5, West County, Kootenai
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for period of 15 years.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project.
8. That Engineer has reviewed and/or supervised the review of the Policy for Operation and Maintenance ("O&M") for this Project and it is his professional opinion that, provided said Project has been designed and built to appropriate standards, adherence to said O&M Policy will result in the

Project's producing at or near the design electrical output, efficiency and plant factor for a period of

15 years.

9. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, is relying on Engineer's representations and opinions contained in this Statement.

10. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.



By *Benjamin Benson*

(P.E. Stamp)

Date 03/17/2014

APPENDIX C
ENGINEER'S CERTIFICATION
OF
ONGOING OPERATIONS AND MAINTENANCE

The undersigned Benny Benson, P.E., on behalf of himself and ENERGYneering Solutions, Inc. hereinafter collectively referred to as "Engineer," hereby states and certifies to the Seller as follows:

1. That Engineer is a Licensed Professional Engineer in good standing in the State of Oregon.
2. That Engineer has reviewed the Energy Sales Agreement, hereinafter "Agreement," between Kootenai Electric Idaho Power as Buyer, and Cooperative, Inc. as Seller, dated March 5, 2014
3. That the cogeneration or small power production project which is the subject of the Agreement and this Statement is identified as IPCo Facility No. 21865113 and hereinafter referred to as the "Project".
4. That the Project, which is commonly known as the Fighting Creek Landfill Gas to Energy Station, is located at 22089 South HWY 95, Coeur d'Alene, ID
5. That Engineer recognizes that the Agreement provides for the Project to furnish electrical energy to Idaho Power for a period of 15 years.
6. That Engineer has substantial experience in the design, construction and operation of electric power plants of the same type as this Project.
7. That Engineer has no economic relationship to the Design Engineer of this Project.
8. That Engineer has made a physical inspection of said Project, its operations and maintenance records since the last previous certified inspection. It is Engineer's professional opinion, based on the Project's appearance, that its ongoing O&M has been substantially in accordance with said O&M Policy; that it is in reasonably good operating condition; and that if adherence to said O&M Policy continues, the Project will continue producing at or near its design electrical output, efficiency and plant factor for the remaining 15 years of the Agreement.

9. That the Project has been constructed in accordance with said plans and specifications, all applicable codes and consistent with Prudent Electrical Practices as that term is described in the Agreement.

10. That the design and construction of the Project is such that with reasonable and prudent operation and maintenance practices by Seller, the Project is capable of performing in accordance with the terms of the Agreement and with Prudent Electrical Practices for a fifteen (15) year period.

11. That Engineer recognizes that Idaho Power, in accordance with paragraph 5.2 of the Agreement, in interconnecting the Project with its system, is relying on Engineer's representations and opinions contained in this Statement.

12. That Engineer certifies that the above statements are complete, true and accurate to the best of his knowledge and therefore sets his hand and seal below.



By Benjamin Belson
(P.E. Stamp)

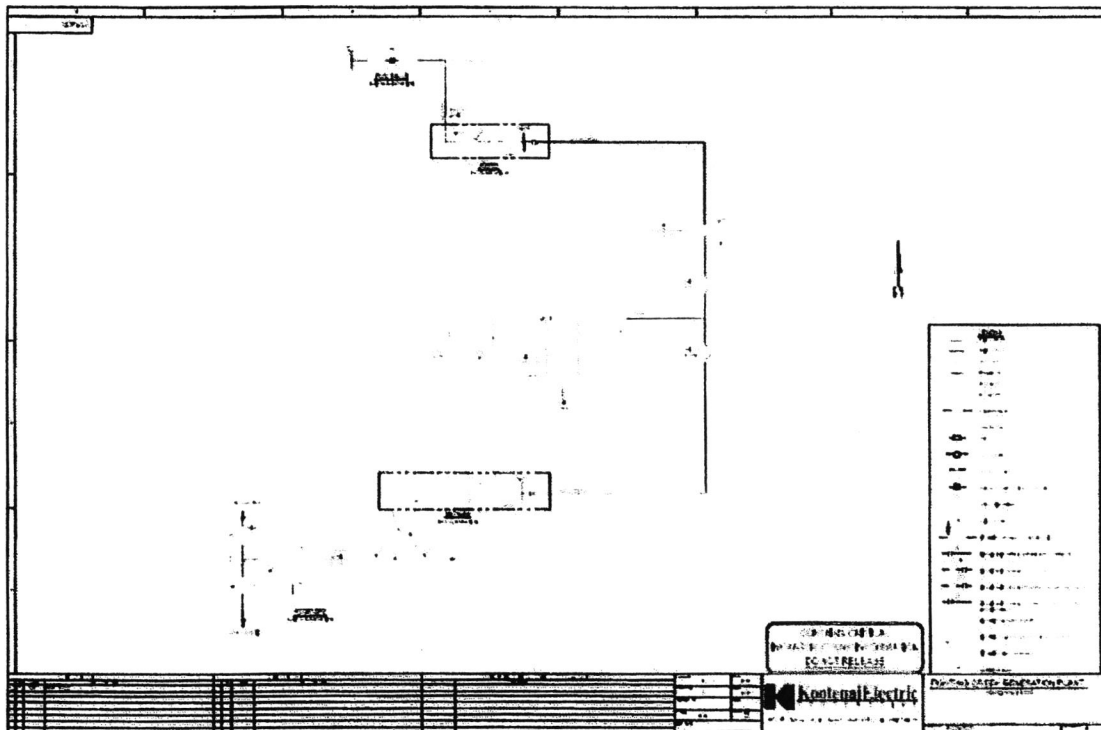
Date 03/07/2014

Exhibit C

Project Description and Point of Delivery

Description of the Facility:

Seller's Facility is described as the Fighting Creek Landfill Gas to Energy Facility and consists of: Two 1.6 MW generators each powered by a Caterpillar Model 3520, spark ignited, reciprocating internal combustion engines electrically interconnected to Seller's 24.9 kV distribution facilities terminated on the project busbar. The Project will use methane gas produced by decomposition of waste interned within landfill. The Project is located at Kootenai County Solid Waste Facility (W116.93 , N47.532), near Bellgrove, Idaho.



Location:

Seller's Facility is located at: Kootenai County Solid Waste Facility (W116.93 , N47.532), near Bellgrove, Idaho.

Point of Delivery:

Point of Delivery Location: The point where Avista's Dower – Post Falls 115kV Tap Transmission Line and KEC's Dower – Post Falls 115kV Tap Transmission Line are connected.

Alternate Point of Delivery:

Alternate Point of Delivery Location: The point where Avista's Dower – Post Falls 115kV Tap Transmission Line served via Avista's Post Falls – Ramsey 115kV Transmission Line and KEC's Dower – Post Falls 115kV Tap Transmission Line are connected.

Point of Metering:

Metering Location: In Seller's Facility, on the 24.9 kV side of the generator step-up transformer over which electric power and energy flows.

Exhibit D

Avoided Cost Rates

| Period | Heavy Load Hours \$/MWh | Light Load Hours \$/MWh |
|---------------------|----------------------------------|----------------------------------|
| | | |
| Jun 2014 - Dec 2014 | \$39.71 | \$34.31 |

Exhibit E

Initial Capacity Determination Documentation

Within fifteen (15) days after a Commission order specified in Section 4.2 approving this Agreement, the Seller shall provide to Avista;

1. the manufacturer's serial number and specifications for each engine - generator installed at the Facility.
2. the Initial Capacity Determination of the Facility, expressed in kilowatts at the Point of Delivery, which is equal to the sum of the Facility's gross output values identified and provided in Exhibit C, less Facility Service Power and Losses.

Exhibit G

Facilities for Integration and Operation of Fighting Creek Facility

Transmission Services
Avista Corporation
1411 E Mission Avenue
Spokane, WA 99202



December 5, 2011

Mr. Doug Elliott
General Manager
Kootenai Electric Cooperative
P.O. Box 278
Hayden, Idaho 83835-0278

SUBJECT: Facilities for Integration and Operation of Fighting Creek Facility

Dear Mr. Elliott:

This Letter Agreement ("Agreement") sets forth the scope of work and responsibilities of Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC"), hereinafter sometimes referred to collectively as "Parties" and individually as "Party," regarding the construction and installation of the Parties' respective facilities for the integration and operation of KEC's new 3.2 MW Fighting Creek Landfill Gas to Energy Facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho.

I. PROJECT COORDINATION AND SCHEDULE

KEC and Avista shall coordinate all requirements for this project and consult with one another regarding the duties listed under this Agreement. The Parties intend to complete construction and enable operation of the Facility by December 30, 2011. While neither Party makes any express commitment to meet such date to energize the facilities outlined within, the Parties shall make good faith efforts to complete this project within the time frame identified.

II. EFFECTIVE DATE

This Agreement shall be effective upon the date this Agreement is executed by both Parties. This Agreement shall terminate upon receipt by Avista of all invoiced amounts pursuant to Section V.

III. AVISTA'S RESPONSIBILITIES AT KEC'S EXPENSE

Avista shall provide, at KEC's expense, a relay to provide synch check functionality and add equipment to provide dial-up access to the new relay on Avista's Post Falls A-320 circuit breaker.

Avista shall provide, at KEC's expense, material and labor to program, check-out, and test the metering and data acquisition equipment provided by KEC at the Facility.

Avista shall, at KEC's expense, provide materials and labor to program the Cybectec SMP-4, test and check-out all metering and SCADA equipment provided by KEC, and terminate the 4-wire communication circuit provided by KEC at Avista's Coeur d'Alene Service Center.

Avista shall, at KEC's expense, provide labor to revise relay settings on Avista's Post Falls A-211 circuit breaker on the Post Falls – Ramsey 115 kV line to provide an alternate point of receipt.

IV. KEC'S RESPONSIBILITIES AT KEC'S EXPENSE

KEC shall, at KEC's expense, acquire rights of way and permitting for, construct and own the new Facility. This construction shall include metering CTs, metering PTs, space in Seller's Facility control house for Avista metering equipment, voltage and current indications from KEC's CTs and PTs to the Avista metering equipment, 4-wire communication circuit, 2-wire communication circuit, appropriate isolation protection for communication circuits, and a 48 VDC circuit for power supply.

KEC shall, at KEC's expense, provide and install a Jemstar revenue grade meter, test switch, Cybectec SMP-4, and other data acquisition equipment as approved by Avista which shall be owned, operated, and maintained by Avista.

KEC shall, at KEC's expense, provide labor for the commissioning of this equipment and the termination of the 4-wire circuit.

V. FINANCIAL TERMS AND CONDITIONS

The estimated cost of the work to be performed by Avista at KEC's expense, as identified in Section III, is \$65,000, including applicable overheads and taxes. Upon completion of all work performed by Avista, Avista shall invoice KEC for the actual costs Avista incurred to complete such work, including applicable overheads and taxes.

Invoices from Avista shall reference this Agreement and shall be sent to the following address:

Kootenai Electric Cooperative
Attention: Shawn Dolan
Kootenai Electric Cooperative
P.O. Box 278
Hayden, Idaho 83835-0278

Remittances from KEC shall be within the timeframe specified in the invoice and shall be sent to the address named in the invoice.

Please indicate KEC's concurrence by executing the two originals of this Agreement where indicated below. Please retain one original for your files and return one original to Avista at the address listed above. Should you have any questions regarding this Agreement, please do not hesitate to contact me at (509) 495-4851.

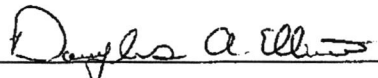
Respectfully,



Jeff Schlect
Senior Manager, Transmission Services

KOOTENAI ELECTRIC COOPERATIVE, INC.

Concur:



Name: Doug Elliot

Title: General Manager

Date: December 8, 2011



DONOVAN E. WALKER
Lead Counsel
dwalker@idahopower.com

August 14, 2014

VIA ELECTRONIC MAIL

Shawn Dolan, P.E.
Manager of Engineering
Kootenai Electric Cooperative
2451 W. Dakota Ave.
Hayden, Idaho 83835

Re: Fighting Creek Landfill Gas Plant
Force Majeure Event – As Available Energy Sale to Avista

Dear Mr. Dolan:

In response to your inquiries, and to your letter of August 14, 2014, please let this letter serve as Idaho Power's acceptance of, and acknowledgment of the existence of an event of force majeure, suspending each party's performance pursuant to our Oregon PURPA Standard Energy Sales Agreement ("Agreement"), such force majeure event being a forest fire that has damaged and/or burned down portions of transmission line(s) owned and maintained by Avista, preventing the delivery of Kootenai's generation to Idaho Power pursuant to the Agreement.

You have indicated that during this event of force majeure that Kootenai wishes to sell the output of its generation facility, that is under contract with Idaho Power, to Avista on a temporary and as-available basis. You further indicate and propose the duration of this force majeure event to continue through August 24, and request to sell your facility's output to Avista from August 15 through August 24. As previously discussed between Idaho Power and Kootenai, Idaho Power agrees with this proposal, and consequently will un-designate the network resource designation of the generation provided by Kootenai's facility pursuant to the Agreement on Idaho Power's system starting on August 15, 2014, through August 24, 2014. Kootenai will be unable to sell its output to Idaho Power pursuant to the Agreement during this period of un-designation.

You further mentioned future transmission curtailments and other contractual provisions related to the same. Idaho Power is responding with this letter to the current

10/14/2014 10:10 AM
10/14/2014 10:10 AM
10/14/2014 10:10 AM

Shawn Dolan
August 14, 2014
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event of force majeure only, and any statements, agreements, and the like expressed herein are meant for application to this specific event of force majeure only. Idaho Power notes that the present situation and event of force majeure is not an Idaho Power-initiated curtailment as that term is used in Article 11.2 of the Agreement.

Idaho Power will remove the network resource designation from the generation provided by your facility pursuant to the Agreement starting August 15, 2014, and ending August 24, 2014. Unless otherwise set forth in writing, the network resource designation will be reinstated on August 25, 2014, and energy deliveries and performance pursuant to our Agreement will resume. Should the line(s) not be repaired, restored, or otherwise operational by that time, please notify Idaho Power immediately so that the proper arrangements can be made.

Sincerely,

A handwritten signature in black ink, appearing to read "Donovan E. Walker", with a long horizontal flourish extending to the right.

Donovan E. Walker

cc: Greg Adams (by e-mail)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 15th day of August, 2014, a true and correct copy of the within and foregoing JOINT PETITION OF AVISTA CORPORATION AND KOOTENAI ELECTRIC COOPERATIVE, INC. was served as shown to:

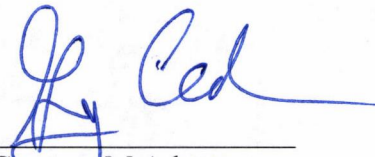
Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W Washington
Boise ID 83702

☒ Hand Delivery
☐ U.S. Mail, postage pre-paid
☐ Facsimile
☐ Electronic Mail

Michael G. Andrea
Steve Silkworth
Avista Corporation
1411 East Mission Ave., MSC-23
Spokane, WA 99202

☐ Hand Delivery
☒ U.S. Mail, postage pre-paid
☐ Facsimile
☒ Electronic Mail

By:



Gregory M Adams